

# ANALYSIS OF AMENDED BILL

## Franchise Tax Board

Author: Karnette Analyst: Roger Lackey Bill Number: SB 1664  
Related Bills: See Legislative History Telephone: 845-3627 Amended Date: 06-15-2000  
Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** HRA/One-Time 150% Increase

### SUMMARY OF BILL

This bill would provide a one-time increase of 150% (as calculated below in "Specific Findings") in homeowners and renters assistance payments for low-income seniors and disabled individuals for the 2000 calendar year.

The bill also would move the filing date of the claims for assistance from May 15 through August 31 to July 1 through October 15. In addition, it would extend the dates by which the state assists the claimants from June 30 and before October 31 to July 15 and before November 15 of the calendar year in which the claim is filed.

### SUMMARY OF AMENDMENT

The June 15, 2000 amendment added several authors to the text of the bill.

The June 14, 2000 amendment deleted the language regarding the State Supplementary Program and added the provisions discussed above.

The department did not analyze the bill as it was introduced February 22, 2000.

### EFFECTIVE DATE

As an urgency measure, this bill would take effect immediately upon enactment and apply to claims filed for the 2000 calendar year.

### LEGISLATIVE HISTORY

AB 1636 (1999/00) proposed an increase in the property value adjustment used to calculate homeowners assistance. This provision was deleted from the bill. SB 1464 (1997/98) proposed increasing the income limits for the homeowners and renters assistance program to properly reflect inflation. This bill remained in Assembly Appropriations, but identical language was enacted in AB 2797 (Stats. 1998, Ch. 322).

### Program History/Background

Since 1968, California has provided relief to senior citizens in the form of property tax assistance. In 1977 the program was extended to renters and was based on a property tax equivalent amount estimated to be paid by renters. Beginning in 1979, totally disabled homeowners and renters, regardless of age, became eligible for the program. This program is called Homeowners and Renters Assistance (HRA) and is administered by the Franchise Tax Board (FTB).

#### Board Position:

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_____ N	_____ OUA	_____ X PENDING

#### Department Director

#### Date

Gerald H. Goldberg

6/30/00

### SPECIFIC FINDINGS

The HRA amount refunded to eligible persons is a partial reimbursement of the property taxes paid directly by homeowners or indirectly by renters for the previous year. Relief for homeowners is based on a percentage of the property tax paid on the first \$34,000 of the full value of the home. For renters, current law provides a statutory property tax equivalent of \$250. The amount of relief provided to the renters is based on the renter's total household income and a percentage of the property tax equivalent (\$250). The percentage used to calculate the homeowners and renters assistance varies inversely to the applicants' income levels and ranges from 4% to 96%.

To be eligible for assistance, the claimant's total household income for the prior calendar year cannot exceed an inflation-adjusted maximum amount (\$33,993 for assistance for calendar year 2000). Total household income consists of adjusted gross income (as computed for tax purposes) increased by nontaxable income including social security, cash public assistance, pensions and annuities (not otherwise taxable), unemployment insurance, tax-exempt interest, life insurance proceeds, gifts in excess of \$300, and worker's compensation payments. Also, the gross household income cannot exceed \$61,806. Gross household income is total household income plus all non-cash business expenses such as depreciation, amortization, and depletion.

Claimants may file for assistance from May 15 through August 31, inclusive. However, the FTB may accept claims through June 30 of the year following the year that assistance is claimed, given certain extenuating circumstances, such as documented medical disability during the normal filing period. It takes up to 15 weeks to process a claim.

**This bill** would provide a one-time increase of 150% in homeowners and renters assistance payments for low-income seniors and disabled individuals for the 2000 calendar year. The maximum homeowners assistance would be increased from \$326.40 to \$816 and the maximum renters assistance credit would be increased from \$240 to \$600. These amounts are calculated as follows:

For homeowners assistance, the maximum assistance would be  $\$34,000$  (maximum property value)  $\times$  150%  $\times$  1% (property tax rate) = \$510 + \$340 (prior maximum assistance)  $\times$  96% (the maximum percentage of assistance allowed based on total household income) = \$816 or as calculated using the bill's language,  $\$34,000 \times 1\% \times 240\% = \$816$ .

For renters assistance, the maximum assistance would be calculated as  $\$250$  (prior maximum assistance)  $\times$  150% =  $(\$375 + \$250) \times .96 = \$600$  or as calculated using the bill's language,  $\$625 \times 96\% = \$600$ .

**This bill** also would move the filing date of the claims for assistance from May 15 through August 31 to July 1 through October 15. In addition, it would extend the dates by which the state assists the claimants from June 30 and before October 31 to July 15 and before November 15 of the calendar year in which the claim is filed.

### Implementation Considerations

Implementing this bill would have a significant impact on the department's programs and operations.

### Technical Considerations

The change in dates inadvertently would extend the time for filing claims much longer than intended. The attached amendment would correct one date so that the program would remain a three and one-half month program handled within the same calendar year.

## FISCAL IMPACT

### Departmental Costs

It is expected that approximately 134,000 additional individuals would file for the HRA program as a result of this bill. The department would incur additional costs relating to the processing of claims, telephone services, and district office claimant assistance. These additional costs to the department are estimated to be \$640,000.

### Tax Revenue Estimate

Based on data and assumptions discussed below, the revenue impact of additional HRA assistance is projected to be as follows:

Estimated Impact of <b>SB 1664</b> As Amended June 15, 2000 Additional Assistance Payments (Rounded - In \$Millions)			
Claim Period	<b>2000-1</b>	<b>2001-2</b>	<b>2003-4</b>
Homeowners	(\$29)	(\$2)	(\$2)
Renters	(\$102)	(\$6)	(\$6)
T o t a l	<b>(\$131)</b>	<b>(\$8)</b>	<b>(\$8)</b>

Any possible changes in employment, personal income, or gross state product that might result from this provision are not taken into account.

### Tax Revenue Discussion

According to departmental data for the claim period 1999-00, some \$16 million in assistance was provided to nearly 120,000 homeowners, and more than \$55 million was distributed to approximately 270,000 qualified renters.

The estimates above are based on current filers by income class (including additional filers due to normal growth) and include an incentive effect for first-time filers. In addition, it is projected that 50,000 of the first-time filers will continue to file in future years.

## BOARD POSITION

Pending.

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FRANCHISE TAX BOARD'S  
PROPOSED AMENDMENTS TO SB 1664  
As Amended June 15, 2000

AMENDMENT 1

On page 9, line 4, strikeout "July 1" and insert:

June 30